

**RIO DELL CITY COUNCIL  
STUDY SESSION  
MAY 9, 2018  
MINUTES**

A Study Session of the Rio Dell City Council was called to order at 4:10 p.m. by Mayor Wilson.

ROLL CALL: Present: Mayor Wilson, Councilmembers Garnes, Marks and Strahan

Absent: Mayor Pro Tem Johnson (excused)

Others Present: City Manager Knopp, Finance Director Woodcox, Chief of Police Conner, Water/Roadways Superintendent Jensen, and City Clerk Dunham

Absent: Community Development Director Caldwell and Wastewater Superintendent Trainee Purvis

## PUBLIC PRESENTATIONS

**Julie Woodall** addressed the Council regarding the discussion at the last study session related to a wastewater rate study and said she agreed with Mayor Pro Tem Johnson's suggestion to go out for Request for Proposals (RFP's). She said she looked at the City of Eureka's study and that there is a lot more to a study than simply plugging in numbers. She said it is no different from the Mayor's suggestion to take a closer look at Access Humboldt for video recordings of meetings and suggested the Council also take a closer look at the wastewater rate study.

## STUDY SESSION MATTERS

Review of Streets, and Buildings and Grounds Operating and Capital Budgets for FY 2018-2019

City Manager Knopp began by stating that the focus on this study session will be to review the Streets, and Buildings and Grounds Operating and Capital Budgets, then for a wrap-up of the entire Operating and Capital Budget for the year.

Finance Director Woodcox continued with review of the proposed budget summary sheet including expenditures, revenues and estimated fund balances for the Streets Funds Budget. She reported an estimated beginning fund balance of \$150,221 and an estimated ending fund balance of \$141,240 representing a change in reserves of (\$8,981) for FY 2018/19.

Mayor Wilson questioned the addition of one (1) temporary part-time person in the public works department.

Water/Roadways Superintendent Jensen clarified that the idea is to hire a temporary seasonal employee for 4-6 months to assist the crew with things such as hydrant flushing and cleaning drains, not just for mowing and grounds maintenance.

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Finance Director Woodcox pointed out that out of the estimated \$124,891 in TDA revenue, most of that is pass-through funding with the majority going to Humboldt Transit Authority (HTA) and the Senior Resource Center for transit services. She reported an estimated beginning fund balance in the Gas Tax Fund of \$123,866 and an estimated ending fund of \$117,832 representing a change in reserves of (\$6,034). She added that last year, voters passed SB1 legislation, which allowed additional new funding of \$57,241 to the City for streets and roads maintenance.

Next was review of the proposed staff requests in the Streets Department, which included the part-time utility maintenance worker's salary and associated benefits.

Councilmember Strahan noted that with the addition of the part-time utility worker, it brings the total public works employee count to 8.5 positions rather than 7.5 as indicated before.

Finance Director Woodcox explained that the part-time employee was budgeted at 28 hours/week for 8 months with the allocations only coming out of the Streets Funds and the Buildings & Grounds Fund.

Councilmember Strahan questioned the amount of funds allocated from those departments.

Finance Director Woodcox noted that \$10,911 was allocated from Buildings & Grounds and \$6,546 from the Streets Funds for a total of \$17,457.

Discussion continued regarding the actual number of hours budgeted for the year.

Finance Director Woodcox reported an annual total of 1,332 hours budgeted for the part-time utility worker.

Water/Roadways Superintendent Jensen commented that the position is really only needed during the spring and summer months so the number of hours could possibly be reduced.

Next was review of Proposed Streets Funds Capital Projects. The four (4) items listed included a \$7,000 shared allocation for a utility truck, \$16,500 toward a roller and trailer, \$750 toward a forklift and \$1,000 toward the \$20,000 allocation for Access TV.

Finance Director Woodcox noted that the first three (3) items were carried over from the current year budget so would have no effect on the ending fund balance.

Councilmember Strahan asked what the roller would be used for.

Water/Roadways Superintendent Jensen explained the roller would be utilized for water leak repairs, sewer lateral repairs and for general hot patching.

City Manager Knopp pointed out that the Capital Projects budget does not include the \$107,000

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General Fund subsidy noting that \$107,000 in General Fund dollars was used for slurry seal projects this year and that same amount is being proposed for the upcoming budget. He commented that with the addition of SB1 funds, (\$57,000) the City is merely getting back into basic streets maintenance, noting that the City must rely on grants or General Fund subsidies to do any streets projects. He added that it is not uncommon to provide subsidies to Streets funds and explained that regard to SB1 funds, there is language included in that legislation regarding "maintenance of efforts" requirements where any entity receiving SB1 money has to maintain a certain amount of General Fund subsidies. He said the City is not caught up in that formula now but could be in moving forward with the \$107,000 subsidy, it could be included in a future "maintenance of efforts" calculation and require the City to maintain a certain match of that subsidy every year, which could potentially be significant.

Councilmember Strahan asked how to avoid getting caught up in that formula.

City Manager Knopp explained that the way to avoid it would be to provide no subsidy from the General Fund but that is not a good idea because the streets do need to be worked on.

Discussion continued regarding the allocation tables for the various departments.

Councilmember Strahan questioned whether allocations were closely looked at to reflect actual time spent.

Finance Director Woodcox provided a handout on *FY 2018/19 Proposed Allocations by Department by Fund* representing fourteen (14) different allocation tables and explained the process for setting up the allocations.

City Manager Knopp explained that the General Fund is really the only discretionary source of funding for the City and noted that the City had a streets fund audit conducted by the State this year and they went back and looked at several years of financials and everything came out fine.

He drew the Council's attention to the handout on the *Proposed Budget Summary by Department and by Fund* and noted that the total projected revenues for the year are \$5,447,156 with total projected expenditures of \$6,154,012 representing a change in reserves for the year of (\$706,867). He explained that it is unlikely to fully draw down the fund balance because of staffing issues not addressed and equipment that is not replaced. He said the reality is that there have not been any major expenditures in the wastewater department since the new plant was installed. He said with Sewer Capital projects budgeted at \$433,750, the change in reserves is projected at (\$164,392) including an inter-fund transfer of \$167,283 from the Sewer Debt Service Fund to the Sewer Capital Fund.

Mayor Wilson stated that at the end of the day, the proposed budget reflects estimated projected revenues of \$5.4 million with projected expenditures of \$6.1 million, with \$706,000 coming out of reserves. He agreed that budgeting for capital improvements is a good idea but

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expressed concerned with the sustainability of the City 10 years from now with the addition of 3.5 positions in the public works department. He noted that this increases full-time salaries by \$160,000 and asked if that includes benefits.

Finance Director Woodcox clarified that the total increase in salaries and benefits for one (1) full-time police officer and two full-time operators is \$252,000.

Mayor Wilson asked how the additional position allocations affect the reserves and if it can be accomplished with the funds remaining in the black.

Finance Director Woodcox explained that without any capital projects in the sewer department, the fund would still reflect a slight deficit (approximately \$20,000).

Mayor Wilson commented that the City cut staff down to bare bones with the 2010 reorganization and now that things have leveled out, it has been determined what it takes to run the City, which apparently is what is being requested as far as personnel in the public works department. He noted that without capital projects, the deficit is \$20,000 and when capital projects are thrown in, the deficit increases unless other revenue sources are found, which is not a good scenario. He commented that both former City Manager's Stretch and Henrickson laid out the budget scenario as far as sustainability into the future, which was not good. He said years down the road, the same people will not be on the City Council and future City Council's need to understand the plan for the future of the City. He said he would like to see a 5-year plan for the City projecting the City's financial sustainability.

He further stated that the reason Rio Dell is a City is because of the Police Department; otherwise, the City is just a big utility. He said if the Council were to shift a portion of the \$883,000 police department budget and utilize contract services for public safety, it would solve the budget situation but the citizens would lose 24-7 police protection. He commented that if the City continues to draw down the reserves at the same rate, in a few years the City is going to have a real problem.

City Manager Knopp agreed and said the strategies in moving forward are to leverage grants. He added that economic development is the key to the success of the City and noted that Cities are dependent on a strong commercial district, which the City does not have. He pointed out that there are a lot of benefits and legal powers associated with being a City. He stated that approximately 70 percent of the General Fund budget goes to support the police department, which everyone agrees is mandatory. He noted that the problem with contracting with the Sheriff's Department is that the level of service declines dramatically. He pointed out that cost approximately \$90,000/yr. to field an officer in the City as opposed to \$160,000 to field an officer from the Sheriff's Department.

He noted that overall, the City is financially sound and the last water rate increase helped to fix the Water Fund and Measure U, (the local 1% Sales Tax) provided a temporary fix for the General Fund. He expressed the need to capitalize on current opportunities noting that the

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biggest economic driver in the City is the cannabis industry and hopefully the City will be able to reap those benefits.

City Manager Knopp further explained that with regard to capital projects, the City could either pay now or pay later. If the Painter St. pipe upsizing project is not done, the City will likely be fined by the State so the City can either pay through fines and the reputation of the City or by doing the necessary repairs. He said that the current staffing in the public works department was not sustainable.

Mayor Wilson said the point he was trying to make is that the City cannot lose sight of the future and recognized that the City is currently financially stable but it needs to remain that way. He asked if the Council has the ultimate control to remove or add items to the proposed budget that is going to be presented to the Council for possible approval at the May 15, 2018 regular meeting and if the changes need to be made now or if revisions can be presented at that time.

He stated that at the last study session, a comment was made to him regarding staff continually being "thrown under the bus" and asked where the comment was directed.

Councilmember Garnes responded that she made the comment and it was directed to the Council as a whole. She said there have been times when staff has brought a recommendation to the Council and they were given the impression of being incompetent. She said that it happens regularly when big issues come before the Council and rather than Councilmembers coming in and talking to staff prior to the meetings to get questions answered, they wait to put staff on the spot in a public meeting. She said that it gives the impression that the Council does not trust staff and she thinks it is embarrassing and humiliating to watch. She said when staff is asked to make a recommendation and they come in with what they feel is the best recommendation for the City and certain councilmembers don't agree, staff is "thrown under the bus." She said it has a lot to do with the manner in which staff is questioned. She added that attitude, anger or arrogance is not necessary. She said by asking something of staff that leaves them open to ridicule, puts them in a bad position. She said the tone the Council has when asking questions of staff gives that sense.

Mayor Wilson said that from his perspective, he cannot remember a time when staff was ever "thrown under the bus" and that he took issue with Councilmember Garnes' statement to that affect. He noted that not all councilmembers have the time to come in and sit down with staff before meetings to discuss agenda items. He commented that when staff is challenged and the Council disagrees, it is not meant to be personal. It is the only time when the Council can come together and talk as a group in a public session since it is illegal for the Council to get together and have dialog outside a public forum.

He then commented on the issue of the proposed rate studies. He said if the City is going out for RFP's, they need to be sent to individuals with a specific scope of work identified and if there is more needed under that scope in terms of the State, then the Council needs to understand what that is. He said to blindly throw a number out there is not practical.



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City Manager Knopp felt that his concerns could be satisfied by holding scoping sessions to identify what the City wants included in the studies. He pointed out that the \$30,000 proposed in the budget for each of the water and sewer rate studies is only a ceiling and that staff's intention was to work with the Council and get facts to work off before going out for RFP's. He said what happens after that is up to the Council. He suggested perhaps working with a State agency to address the needs of the City in putting together the study. He added that the idea is to be slow and deliberate and to get good advice even if it means waiting until 2020. He said the purpose of the studies is to make sure the City is on track so as not to get into an emergency situation as in the past with the water rates. He noted that realistically, rate studies should be done every five (5) years and that the City was entering the 5-year window on the sewer side and soon thereafter on the water side.

Councilmember Strahan noted that if the City were going in the hole because the rates are too low, she would like to know how much.

Finance Director Woodcox indicated that water fund revenues have actually increased and in general, the funds look good.

City Manager Knopp commented that Measure U (the local Sales Tax) is scheduled to expire in December 2019 and without continuation of it, the General Fund will get back into a negative fund balance. However; the City has a very healthy fund balance now and the Council should not be too concerned about drawing down that balance with the proposed budget.

Councilmember Strahan expressed concern that drawing down the reserve fund balance by this amount (\$706,000), each year, it would only be sustainable for six (6) years.

City Manager Knopp agreed and said the way to keep the budget sustainable is through business development. He noted that the City was at the epi-center of all of the calamities hit in the County such as the decline in the timber industry. He said the City would be at an extreme disadvantage without development of the cannabis industry and the City needs to diversify the proceeds from that industry.

Going back to the Capital Projects Budget, Mayor Wilson asked staff for a list of motors used in the public works department. He noted that Mendocino Redwood Co, (HRC) has a stock of motors and in the event of an emergency, they may be able to help the City out by selling or possibly donating them since they have some that may never be used.

Finance Director Woodcox pointed out that related to the \$6,500 in the Sewer Capital Budget for Perc Pond Repairs; those funds were moved over to the Fork Lift budget to provide for the purchase of a better forklift.

Councilmember Marks asked what the consensus is regarding Access TV and if the idea is to obtain a solid quote before moving forward.

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City Manager Knopp recommended the Council approve the expenditure as a ceiling, but not necessarily spend the money until staff has an opportunity to work on the issue and come back to Council with a solid quote and recommendation for Council's consideration. He pointed out that Access TV was one of the items listed on the Council's priorities for the year.

Councilmember Marks suggested scoping sessions be done sooner rather than later for the water and sewer rate studies.

Finance Director Woodcox asked for direction from the Council regarding the proposed 3.5 new positions.

Councilmember Strahan pointed out that originally public works was requesting four (4) full-time positions and one (1) part-time position at the treatment plant and now that has increased by one more full-time position. She also asked if wages were increased for laborers.

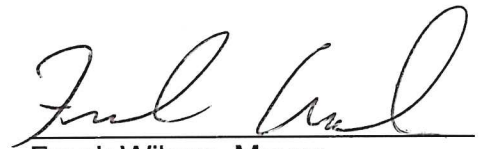
City Manager Knopp stated that no wage adjustments were included in the budget however; rates will need to be addressed as new minimum wage laws come into effect.

Councilmember Strahan commented that the financial information she asked staff for was not pressing but would eventually like to have it.

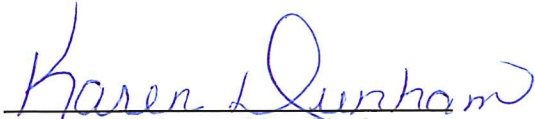
Councilmember Marks asked for the information to be provided to all councilmembers.

**ADJOURNMENT**

The meeting adjourned at 6:33 p.m. to the May 15, 2018 Regular Meeting.

  
Frank Wilson, Mayor

Attest:

  
Karen Dunham, City Clerk